



The Top 4 Myths About Life Settlements Debunked

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The Top 4 Myths About Life Settlements Debunked

Lucas Siegel is the CEO of [Harbor Life Settlements](#) & [Harbor Life Brokerage](#), which offers the world's most advanced life settlement auction site and the first-ever AI-powered life settlement calculator. Since its launch in early 2020, Harbor Life Online Exchange has listed hundreds of millions in life insurance policies for sale and has been pivotal in transforming the industry standard.

Did you know your life insurance policy could be one of your most valuable assets? By converting a life insurance policy into cash, a life settlement gives individuals the opportunity to spend their money while they're living. Yet, they are often misunderstood or misinterpreted by consumers and financial professionals. In fact, some [\\$200 billion](#) in wasted wealth will lapse or be surrendered each year that could have been sold as a life settlement.

Despite the rumors and misinformation surrounding the industry, the life settlement space has continued to grow and improve. In order to understand if a life settlement is a viable option for you and your family, it's vital to address the most common misconceptions about life settlements.

What is a life settlement?

By definition, a [life settlement](#) is a transaction that involves a policyholder selling their life insurance policy to a third-party buyer. The policyholder receives a lump-cash sum, while the buyer takes responsibility for paying premiums over the remainder of the insured person's life.

The major advantage of choosing a life settlement is the large cash payout. Policyholders might find that their policy premiums are too expensive to maintain in retirement or simply no longer need the policy. In order to make the most informed decision and get the most out of your life insurance policy, here are the top five myths about life settlements explained:

1. Life settlements are not legal or regulated

The life settlement space has come a long way. Despite common misconceptions, life settlements are completely legal and regulated in the US to ensure transparency and protect the rights of all policyholders, insurance companies, and [brokers](#).

Life settlements are currently regulated in [43 states](#), but the laws and regulations in each state can vary. For instance, some states have minimum waiting periods of 3-4 years before an individual can sell the policy, while others mandate that insurance companies disclose the

options of selling a policy to the policyholders. With these guidelines in force, the life settlement process has become far more transparent and streamlined.

2. Only the terminally ill are eligible for life settlements

Life settlements are a great option for healthy seniors, not just those with health impairments. The primary requirements for a life settlement are that you are at least 70 years old and your policy is valued at \$50,000 or more. Healthy seniors often opt to sell their policy in order to experience the retirement they've always hoped for, whether that be traveling, moving to a retirement community, establishing college funding for grandchildren, etc.

Those who think life settlements are only for terminally-ill people might be confusing them for viatical settlements. [Viatical settlements](#) are specifically designed for policyholders with life-changing illnesses and are a much quicker process than life settlements. The timeline for viatical settlements is often expedited because the policyholder is in urgent need of funding to pay for medical care and other health-related expenses.

3. You can get more money from surrendering your policy than from selling it

While some opt to surrender their life insurance policy if premiums become too expensive, selling the policy yields a far higher payout, potentially up to 60% of the death benefit or up to four times the [cash surrender value](#). The cash value of a policy depends on how long the policy has been active and how much interest the policy has accrued, minus the fees associated with liquidating the policy. With that said, surrendering the policy over selling it on the secondary market is a far less desirable option.

4. Life insurance valuations are a long, drawn-out process

Traditionally, life settlement valuations took anywhere from 30 to 90 days to complete. This is largely due to the many variables being needed to calculate the value of the policy, such as when the insured purchased the policy, how old they were when they bought it, their health at the time, and the policy type.

However, technological advancements in the life insurance space have made valuations effortless and easily accessible for consumers inquiring about a life settlement. Policyholders can now use a free, AI-powered [life settlement calculator](#) to predict the value of their policy in minutes, with 89.2% accuracy. As a result of this digital transformation, consumers can now make the most informed decisions for themselves and their families, whether that be keeping the policy active or selling it for a cash payout.

Take control of your financial future

There are various options of what to do with your life insurance as you near retirement, but a life settlement is often the most lucrative and cost-effective. While selling a life insurance policy might not be right for everyone, it's vital to understand the process and the value it can bring to families in need of extra funding.



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